

## Message Text

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15

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 SAB-01 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-01 CEA-01 DODE-00 PM-03 H-01 L-02 PA-01 PRS-01

USIA-06 JUSE-00 /095 W

----- 007311

R 040607Z MAR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2395

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEL AVIV

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DEPT PASS TREASURY

E.O. 11652: N/A

TAGS: ETRD, EFIN KU

SUBJECT: KUWAIT ATTITUDE TOWARDS BOYCOTT OF INVESTMENT COMPANIES

1. IN RECENT CONVERSATIONS ON OTHER MATTERS WITH MINISTER OF FINANCE ATEEQI AND OTHERS IN THE KUWAITI INVESTMENT COMMUNITY, WE HAVE TALKED ABOUT THE RECENT FLAP OVER THE BOYCOTT BY ARAB INVESTMENT COMPANIES OF CERTAIN EUROPEAN AND AMERICAN INVESTMENT COMPANIES. THE LOCAL VIEW IS THAT AS LONG AS THE ARABS REMAIN IN

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A STATE OF WAR WITH ISRAEL THE ECONOMIC BOYCOTT WILL CONTINUE

TO BE IMPLEMENTED. THUS, AS A MATTER OF LAW, ARAB INVESTMENT COMPANIES WILL BE PREVENTED FROM SHARING THE MANAGEMENT OF INTERNATIONAL BOND ISSUES WITH BOYCOTTED COMPANIES. NOR WILL THE ARAB COMPANIES BE ALLOWED TO UNDERWRITE ISSUES MANAGED BY BOYCOTTED COMPANIES. IT WILL CONTINUE TO BE POSSIBLE FOR BOTH ARAB AND BOYCOTTED COMPANIES TO UNDERWRITE THE SAME ISSUE.

2. THERE IS A RECOGNITION THAT THIS IS LIKELY TO MEAN A LOSS OF BUSINESS IN THE SHORT RUN. LOCAL INVESTMENT COMPANY OFFICIALS FEEL THAT IF THE MARKET IS GOOD AND ARAB FUNDS ARE NOT NEEDED, THE BUSINESS WILL GO ELSEWHERE. IF THE MARKET TURNS DOWN AND THE DEMAND FOR ARAB MONEY INCREASES BORROWERS WILL AGAIN SEEK EXPANDED PARTICIPATION FOR ARAB INVESTMENT COMPANIES. ARAB INVESTMENT COMPANY OFFICIALS BELIEVE THAT THE LONG RUN TRAND FAVORS THE ARAB COMPANIES. IN THE MEANTIME THERE WILL BE A TENDENCY BY THE ARAB COMPANIES TO MAKE DIRECT PLACEMENTS. RECENTLY FOR EXAMPLE KUWAIT INTERNATIONAL INVESTMENT COMPANY HAS NEGOTIATED MAJOR FINANCE PACKAGES WITH JAPANESE AND SPANISH COMPANIES.

3. COMMENT: THE KUWAITIS, OF COURSE, ARE DISAPPOINTED OVER RECENT DEVELOPMENTS, BUT THEY ARE NOT ESPECIALLY PESSIMISTIC ABOUT FUTURE TRENDS. THEY REMAINED BAFFLED AND SUSPICIOUS AT THE INABILITY OR UNWILLINGNESS OF OTHERS, PARTICULARLY IN THE UNITED STATES, TO UNDERSTAND THE POLITICAL BASIS OF THE BOYCOTT AND THE TENDENCY TO CHARACTERIZE ACTIONS TAKEN BY THE ARABS AS BEING BASED ON RELIGIOUS OR ETHNIC GROUNDS.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INVESTMENT OPPORTUNITIES, BOYCOTTS, BUSINESS FIRMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 MAR 1975  
**Decapton Date:** 01 JAN 1960  
**Decapton Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975KUWAIT01001  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750075-0145  
**From:** KUWAIT  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750385/aaaacyqe.tel  
**Line Count:** 89  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 14 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <14 MAY 2003 by ElyME>; APPROVED <15 MAY 2003 by MorefiRH>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** KUWAIT ATTITUDE TOWARDS BOYCOTT OF INVESTMENT COMPANIES  
**TAGS:** ETRD, EFIN, KU  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006